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Mexican groups go on buying binge for local office buildings

By Martha Binig Drake
Houston Business Journal

Two groups of wealthy Mexican industrialists are on a shopping spree in Houston.

They have already spent an estimated \$20 million to buy nearly 650,000 square feet of suburban office space in the past eight months, and their broker says they are still looking.

The partners have earmarked

"a substantial amount" to buy more Class A and Class B Houston properties with a goal of building their portfolio to at least 1 million square feet by year's end, says Jamie Sullivan, a broker with the San Antonio real estate firm of Sage Western.

"We believe the Houston market will continue to improve. Because of that, the investors have earmarked a

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So far, they have purchased four Houston properties for an estimated \$20 million. The bulk of the transactions have been all-cash deals, but some financing also has been provided by International Bank of Commerce in Laredo.

The partners' buying strategy has included the sale of a couple of San Antonio office properties that have "matured to their investment value," Sullivan says. They have started selling those buildings and using the money to invest in Houston properties.

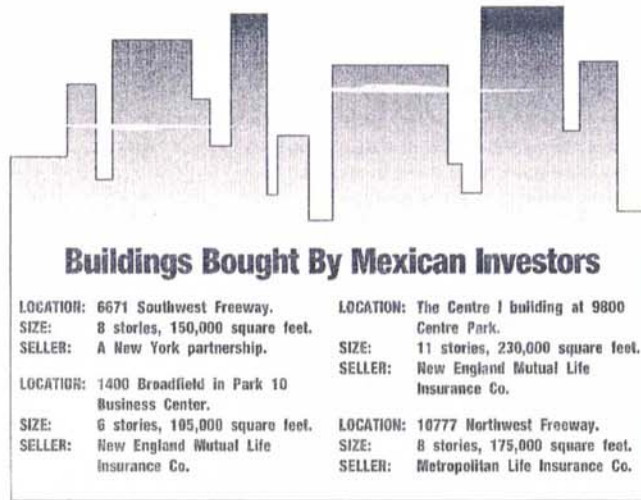
The investors' Houston portfolio now includes four mid-rise office build-

- The eight-story Southwest Center at 6671 Southwest Freeway at Hillcroft. Headquarters for Transwestern Property Co., the 150,000-square-foot, Class A building was constructed in 1985 and renovated in 1990. It was purchased in December of 1994 from a New York partnership.

- The six-story 1400 Broadfield building in Park 10. Built in 1982, the 105,000-square-foot, Class B multi-tenant property was purchased from New England Mutual Life Insurance Co. in late March.

- The eight-story 10777 Northwest Freeway building on U.S. Highway 290, near Mangum. The 175,000-square-foot, Class B property was built in 1982 and now serves as a center for several Bell Systems offices. It was purchased in mid-May from Metropolitan Life Insurance Co.

- The 11-story Centre I building at 9800 Centre Park, near the Southwest Freeway and Bissonnet. The 230,000-square-foot, Class A building is said to be the partners' "pride and joy." Built in 1983, it also was purchased from New England Mutual Life Insurance Co. The deal closed at the end of June.



Buildings

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substantial amount of funds to keep looking in Houston," says Sullivan, who is the exclusive agent for the partners.

Vice Oaks and Vice Oakwell are the private limited partnerships purchasing the buildings. Both are headed by Laredo real estate investor Hugo A. Gutierrez of People's Management Co. in Laredo. Gutierrez buys the properties on behalf of the two groups of Mexican business owners, who also have holdings in Laredo and San Antonio, Sullivan says.

Several more deals are cooking, but Sullivan would not discuss specifics of those negotiations. However, he says the buyers continue to look at proposals on other buildings.

"Basically, we're suburban buyers; that's what we're looking for. But if the right building came along we might consider something in the Central Business District," Sullivan says.

"We're going to continue to look in the Houston market because we are able to buy buildings at well below replacement cost. But the prices have already increased since we started looking at buildings in September. From a leasing standpoint, the market is improving there, too."

Recent statistics compiled by CB Commercial Real Estate Group Inc. show that the city's office vacancy rate is 19.5 percent, the lowest in a decade. However, the same report indicates that current leasing activity "is unduly slow." ■